

SOUTH CAROLINA STATE LIBRARY

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2020



Independent Accountant's Report on Applying Agreed-Upon Procedures

June 16, 2021

Ms. Leesa M. Aiken, Director
and
Members of the South Carolina State Library Board
South Carolina State Library
Columbia, South Carolina

We have performed the procedures described in Attachment 1 on the systems, processes and behaviors related to financial activity of the South Carolina State Library (the Library) for the fiscal year ended June 30, 2020. The Library's management is responsible for the systems, processes and behaviors related to financial activity.

The Library's management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of understanding the systems, processes and behaviors related to financial activity. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

We were engaged by the Library to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the systems, processes and behaviors related to financial activity of the Library for the year ended June 30, 2020. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures other matters might have come to our attention that would have been reported to you.

The concept of materiality does not apply to findings to be reported in an agreed-upon procedures engagement. Therefore, all findings from the application of the agreed-upon procedures must be reported unless the definition of materiality is agreed to by the Library's management. Management of the Library has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Upon Procedures:

- Errors of less than \$1,000 related to cash receipts and non-payroll cash disbursements transactions.
- Errors of less than \$1,000 related to reporting packages.

We are required to be independent of the Library and to meet other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Board and management of the South Carolina State Library, and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

George L. Kennedy, III, CPA
State Auditor

**South Carolina Office of the State Auditor
Agreed - Upon Procedures Related to the South Carolina State Library (H87)**

Cash Disbursements/Non-Payroll Expenditures

1. Haphazardly select ten non-payroll disbursements and inspect supporting documentation to determine:
 - The transaction is properly completed as required by the Library procedures and invoice agrees with general ledger as to vendor, amount, invoice number, and date.
 - All supporting documents and approvals required by State Library procedures are present and agree with the invoice.
 - The transaction is an actual expenditure of the the Library.
 - The transaction is properly classified in the general ledger.
 - Disbursement is recorded in the proper fiscal year.
 - Clerical accuracy.

For federally funded cash disbursements/non-payroll expenditures, inspect supporting documentation to determine:

- Charges are in accordance with the requirements of the program, incurred during the approved grant period, and applied uniformly to both federally assisted and other activities of the recipient.
2. Haphazardly select five purchasing card transactions from the Comptroller General's (CG) listing of purchasing card transactions for fiscal year 2020 and inspect supporting documentation to determine:
 - The cardholder is an authorized user and individual credit limits have been properly approved in accordance with the Library policies.
 - The purchase is authorized based on the cardholder's job title/position.
 - The monthly purchase summary was submitted along with applicable receipts and signed by both the supervisor and cardholder.
 - The purchase did not exceed the single transaction limit or the individual credit limit and there was no indication of transaction splitting.

Finding

The Library did not capitalize four workstations and workstation components totaling \$29,051.

Management's Response

The Library agrees with the finding. We have reviewed our internal procedures to ensure they adequately cover capitalization of items and made updates where necessary.

Journal Entries and Transfers

3. Haphazardly select four journal entries and one transfer and inspect supporting documentation to determine:
 - Postings in the general ledger agree to supporting documentation.
 - Transaction is properly approved.
 - The purpose of the transaction.

We found no exceptions as a result of this procedure.

Reporting Packages

4. Inspect fiscal year end reporting packages submitted to the CG. Compare the Master Reporting Package Checklist to reporting packages that were submitted. Compare the dates submitted to the due dates established by the CG's Reporting Policies and Procedures Manual. Compare responses in the Master Reporting Package Checklist and any required supplemental information to the South Carolina Enterprise Information System (SCEIS) and the Library prepared records.
5. In addition to the procedure above, perform the following:

- Prepaid Expenses Reporting Package

Agree amounts to the SCEIS *Yearend Rptg - Prepaid Expenses* report and the Library prepared records. Haphazardly select five prepaid expenses and determine if the amounts were properly classified, calculated, and reported.

- Operating Leases Reporting Package

Agree amounts to the SCEIS *Yearend Rptg - Operating Lease Expense with Vendor* report. In addition, based on inspection of invoices and lease agreements, determine that rental payments were properly classified, coded and calculated by inspecting and recalculating the following reported amounts: (1) Five haphazardly selected contingent rental payments and (2) Five haphazardly selected payments included in the remaining rental payment classifications (One time or unusual in nature rental payments and other detailed rental charges). In addition, determine that the Library submitted copies of all leases to the CG in accordance with the CG's Reporting Policies and Procedures Manual.

- Subsequent Events Questionnaire

Compare responses and any required supplemental information to the SCEIS general ledger or the State Library prepared records. In addition, haphazardly select five payables from the Subsequent Events Accounts Payable Worksheet and determine if the amounts were properly classified, calculated, reported, and excluded from the original Accounts Payable Reporting Package submission.

Findings

Prepaid Expenses Reporting Package – Two prepaid transactions were incorrectly reported on the Prepaid Expenses Summary Form which caused current expense to be understated by \$4,495 and prepaid expense to be overstated by \$4,495.

Reporting Packages (Continued)

Findings (Continued)

Operating Leases Reporting Package – Three rental payments were misclassified as contingent rentals which caused an overstatement of \$1,065.

Subsequent Events Reporting Package – One payable was not reported on the Subsequent Events Accounts Payable Worksheet which caused an understatement of \$2,700.

Management's Response

Prepaid Expenses Reporting Package – The Library agrees with the finding. Due to staff turnover this package was completed by a new staff member. An incorrect report was used when the above package was completed. We have provided additional training to staff and updated the procedure regarding designation of a prepaid expense, which will track items effectively in the SCEIS system and help to ensure accurate reporting.

Operating Leases Reporting Package – The Library agrees with finding. The finding is related to rental payments which should have been broken out by base rent and cost per copy, but were all placed in the same general ledger code incorrectly. We neglected to update the code change in our internal procedures. We have taken corrective action and will ensure staff use the correct general ledger codes.

Subsequent Events Reporting Package – The Library agrees with the finding. We updated our procedures and added an additional level of review to ensure all payables are identified on the reporting package.

Travel Advances

6. Haphazardly select five travel advances and inspect supporting documentation to:
 - Determine that the travel advance was not made to an employee for travel within the state without proper approval from the CG.
 - Determine that the travel advance was not made for more than 80% of the estimated amount of total travel expenses or made in instances where 80% of the estimated travel expense does not exceed \$250.
 - Determine that the Library maintained adequate records/supporting documentation regarding the advance.
 - Determine that the travel advance was submitted for approval no later than seven business days prior to the beginning of the trip.
 - Determine that the traveler repaid the advance within thirty days after the end of the trip.

We found no exceptions as a result of this procedure.

Assets and Personal Property

7. Select three capital asset retirements and inspect supporting documentation to determine that each asset was approved for removal and removed from the general ledger in accordance with the CG's Reporting Policies and Procedures Manual.
8. Through inquiry of management and inspection of supporting documentation, determine that an inventory of the Library property, excluding expendables, was completed during the fiscal year as required by South Carolina Code of Laws Section 10-1-140.

Assets and Personal Property (Continued)

Finding

Two assets were retired in prior years but not removed from the SCEIS general ledger until fiscal year 2020. One asset was removed from the SCEIS general ledger but was still in use by the Library.

Management's Response

The Library agrees with the finding. The Library consolidated two buildings in FY13-FY14, which required the disposition of hundreds of items sent to Surplus Property. The disposition of so many items at one time created a tremendous burden on staff resulting in various assets remaining on the asset list after retirement or being removed erroneously. As a result of this engagement we have begun an extensive review of our asset list to ensure it accurately reflects our holdings. Additionally, we created a module in OnBase to track assets, which will allow us to upload photographs and corresponding documents. This additional detail will ensure we correctly identify and retire items appropriately and timely.

Library-Specific Provisos

9. Determine compliance with State Library-specific proviso 27.1 (Aid to Counties Libraries Allotment) by inquiring with management and observing supporting documentation.

We found no exceptions as a result of this procedure.

Status of Prior Findings

10. Through inquiry of management and inspection of supporting documentation, determine the Library has taken appropriate corrective action on the findings reported during the engagement for the prior fiscal year.

We determined that the Library has taken adequate corrective action on prior year findings, except for the finding regarding the operating leases reporting package. See repeated finding at **Operating Leases Reporting Package**.